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UNCLAS SECTION 01 OF 02 MONROVIA 000435

SENSITIVE
SIPDIS

DEPARTMENT FOR AF/W AND EEB/CIP/BA

E.O. 12598: N/A

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SUBJECT: LIBERIA: CELL PHONE COMPANIES FEND OFF REGULATOR

REF A) MONROVIA 165

B) 07 MONROVIA 987 Telecom Act

¶1. (SBU) Summary: Since passage of the Telecommunications Law a year ago (ref B), the Liberia Telecommunications Authority (LTA) has demonstrated a lack of sophistication in regulating the sector. The Embassy, with other international partners, has raised concerns with the GOL regarding LTA's heavy-handed approach, which has the potential to discourage new investors and limit the willingness of current firms to invest in new technology. There is a temporary truce in the LTA's high-profile campaign to raise money from the four cell phone companies, and the President has assured us everything is under control. However, renegotiating GSM contracts has not yet begun and we are concerned that in addition to tainting the investment climate, LTA's crude approach may hamper growth of the sector and development in other areas such as access to fiber optic cables or universal access (Ref A). End summary.

The Imperial Regulator

¶2. (U) The Liberia Telecommunications Authority (LTA) is conducting a very public campaign to extract huge fees from Liberia's GSM cell phone companies. The first salvo, in early April, was a demand from LTA Chairman Albert Bropleh for \$150,000 within less than a week from each company as a "license application" fee. As the cell phone companies all have valid licenses they saw no reason to pay such a fee. The disagreement deteriorated to a campaign in the press designed to convince Liberians they are being cheated by the cell phone companies. The cell phone companies have responded in kind, with full page ads and placing articles suggesting that LTA demands will lead to higher charges.

¶3. (SBU) Embassy Monrovia has had first-hand experience as a target of LTA's efforts to secure unrealistic payments; during the POTUS visit in early February, LTA presented the Embassy with an unsubstantiated charge for \$40,000. (We bargained them down to \$22,000.) Bropleh is using similar tactics with the private sector.

Independence equals Impunity

¶4. (SBU) The 2007 Telecommunications Law (Ref B) established LTA as an independent regulatory agency under the policy guidance of the Ministry of Posts and Telecommunications, with a top priority of standardizing existing GSM licenses. While there is ambiguity on the status of the GSM licenses, (Ref B) World Bank telecom experts who advised on the legislation tell us the existing licenses remain valid until they are renegotiated and that the renegotiation is intended to be collaborative. (Note: according to the law, LTA was supposed to have concluded renegotiation and standardization of the licenses within 90 days of passage of the law. End note.)

¶5. (SBU) While LTA's crude fundraising campaign reflects the lack of regulatory experience, the fact that these tactics can be conducted without check from other GOL agencies indicates a troubling weakness

in the emerging regulatory framework. LTA's lack of consultation with the industry is mirrored by its lack of consultation within the GOL, including with the Minister of Posts and Telecommunications, who has responsibility for policy oversight. In an April 16 meeting with the Ambassador, the Minister of Posts and Telecom noted the LTA has said it reports only to the President. MPT is trying to engage the LTA commissioners and be more aware of regulatory initiatives. In a May 13 meeting with the International Contact Group on Liberia, after a month of acrimonious media exchanges and a legislative hearing, President Sirleaf described LTA's tactics as "just working things out," and noted that the problem had been resolved.

Private sector investment is essential

16. (SBU) During the April 16 meeting at MPT, the Ambassador noted that a healthy and profitable GSM sector is important to Liberia's continued growth. As payments to the GOL from cell phone service providers increase, the government could dedicate some of the revenue to providing universal service. Sharply increased license fees for LTA, by squeezing profits, will reduce tax payments and investment. Ambassador added that it is important that there be a strong firewall between the regulator (LTA) and the proposed state-owned Liberia Telecommunications Corporation (LTC), or it will undermine confidence. The MPT officials said they see LTC as the backbone of the telecommunications system but realize it will need to be privatized at some point. (Comment: We are skeptical of GOL assurances that LTC will not compete with the private sector. A "national security" justification for special treatment for LTC has been made by some in the GOL. End note)

Comment

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17. (SBU) The GOL is right that all agreements signed by the transitional government ought to be reviewed and harmonized. However, despite physical security problems and the need to self-generate electricity, the GSM companies built an efficient and competitive sector in a country with no land-line phones, and extremely limited access to other communications. They contribute 8% of GDP and 18% of the budget but are under siege from the regulator-turned-revenue-agency.

18. (SBU) Chairman Bropleh, his most experienced commissioner, and the Minister of Posts and Telecom, have been invited to attend the regional ICT conference in Accra July 8-10. We hope exposure to more experienced regulators and industry best-practice may have a seasoning effect on his leadership. LTA's aggressive tactics continue the tradition of focusing on large, successful firms for revenue and reflect the lack of internal GOL coordination. While the GOL can make a credible case for the presumption that any agreement signed by the 2003-2005 transitional government is flawed, Liberia has a critical need for GSM revenue and for future investment, and LTA's tactics jeopardize both.

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